

# **Overview of Budget:**

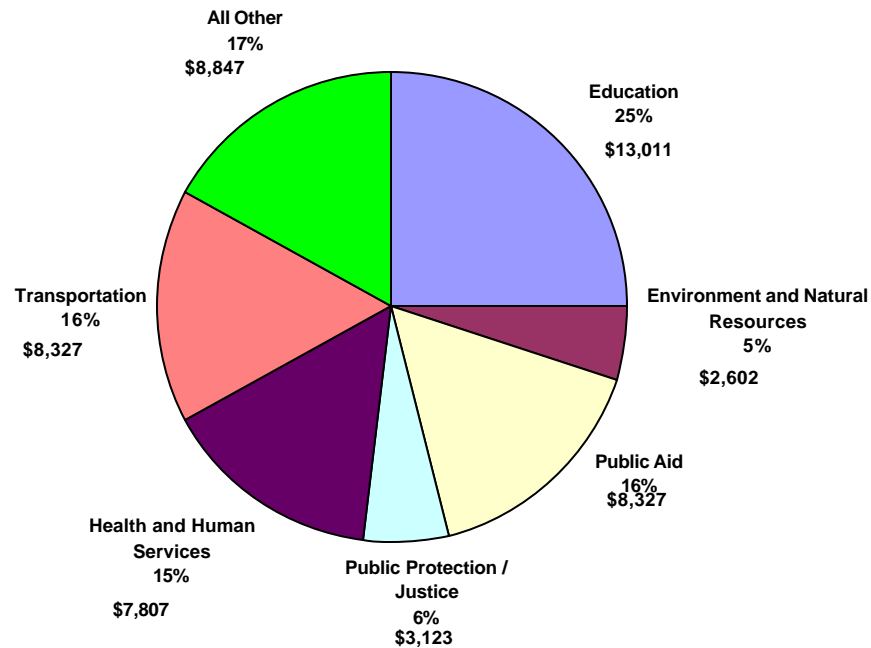
## **Definition of Budget Terms**

- All Funds appropriations of \$52,564 Million
  - Appropriated Funds – 447 Funds
  - Non-Appropriated Funds - 110 Funds
- General Funds – \$24,385 Million Total Revenues (FY 2003 Approved Budget)
  - Limits
  - Purpose
  - Relationship to Other Funds
- General Funds are most of the State's operations and where the deficit occurs, but we are also looking at options where other state funds can contribute to reduce the General Fund deficit

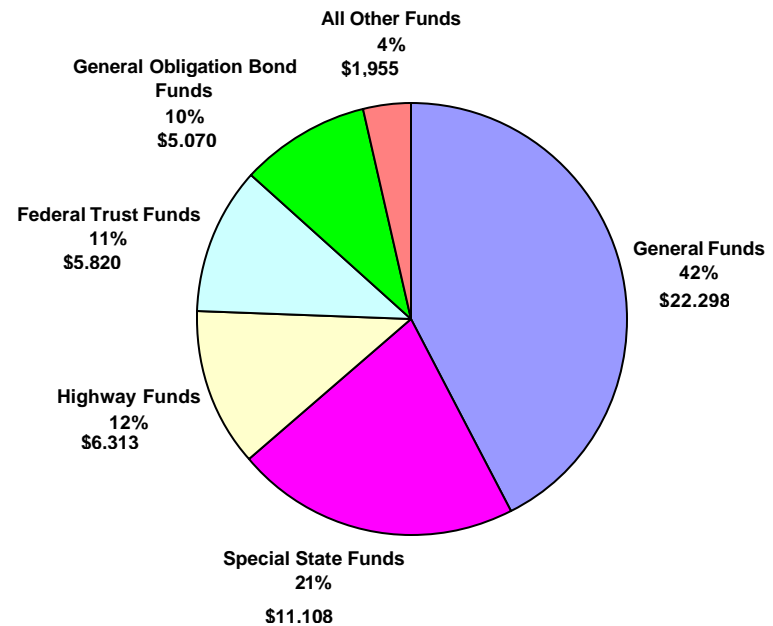
# Fiscal Year 2003

## All Funds

**Fiscal Year 2003 Appropriations by Major Purpose**  
**All Funds - \$52.564 Billion**  
(amounts in millions)



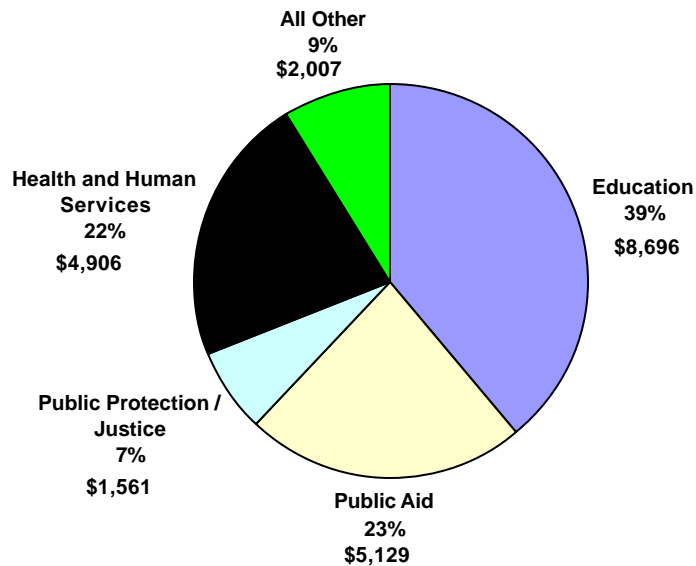
**Fiscal Year 2003 Appropriation by Fund Group**  
**\$52.564 Billion**  
(amounts in millions)



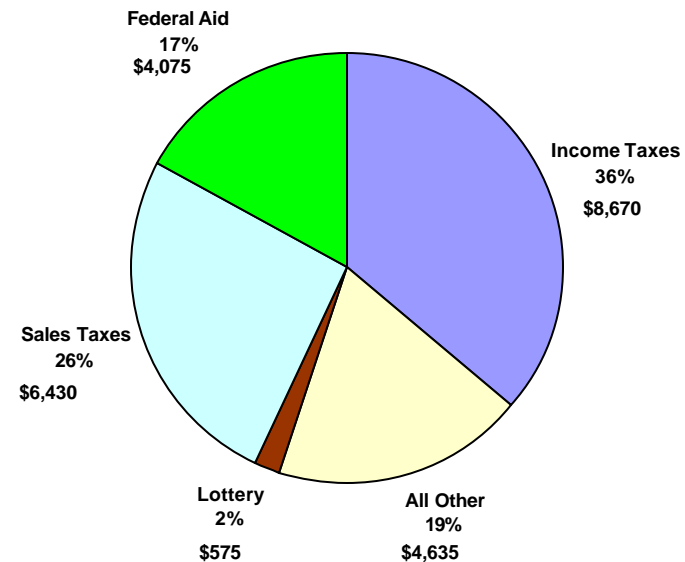
(Per the BoB as Approved in August 2002)

# Fiscal Year 2003 General Funds

**Fiscal Year 2003 Appropriations By Major Purpose  
General Funds - \$22.298 Billion**  
(amounts in millions)



**Fiscal Year 2003 Revenues by Source  
General Funds - \$24.385 Billion**  
(amounts in millions)



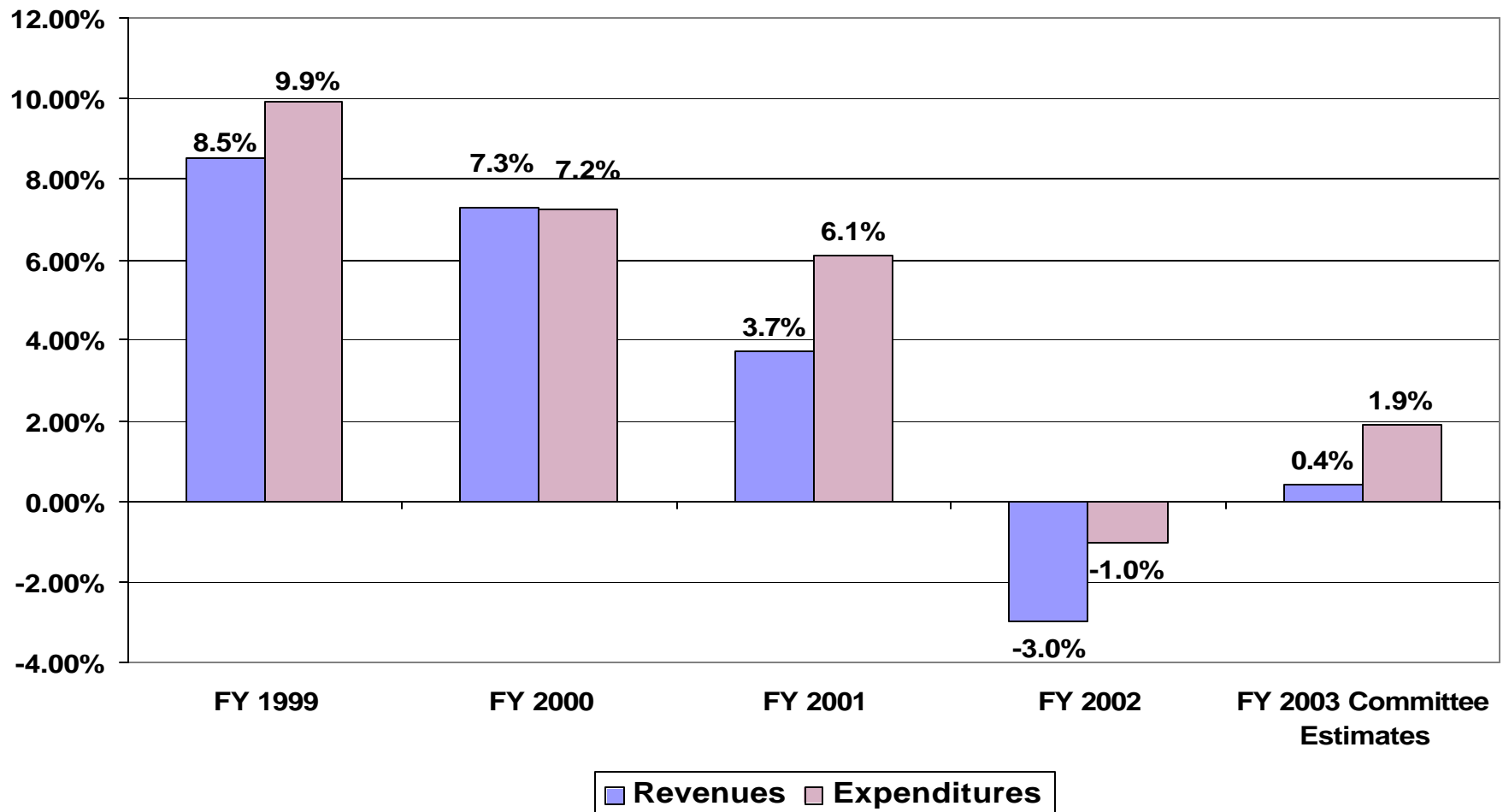
(Per the BoB as Approved in August 2002)

# **Defining the State of Illinois General Revenue Budget Deficit**

- **How We Got There**
  - The State has already spent down its “savings account”
    - Illinois started running a Deficit in FY2001
  - The State has been unable to “balance its checkbook”
    - Spending Increases have outpaced Revenue Increases and Revenue Declines have outpaced Spending Reductions
- **Revenue Projections**
  - FY 2003 No Growth in Revenues
    - (Based on Comptroller Reports to Date)
  - FY 2004 Conservative Revenue Growth of 3%
    - Personal Income Tax and Sales Taxes Only
- **Expense Projections**
  - Key Spending Pressures for FY 2003 & FY 2004
    - Medicare, Employee Group Health Insurance, Pension , K-12 Maintenance, etc.

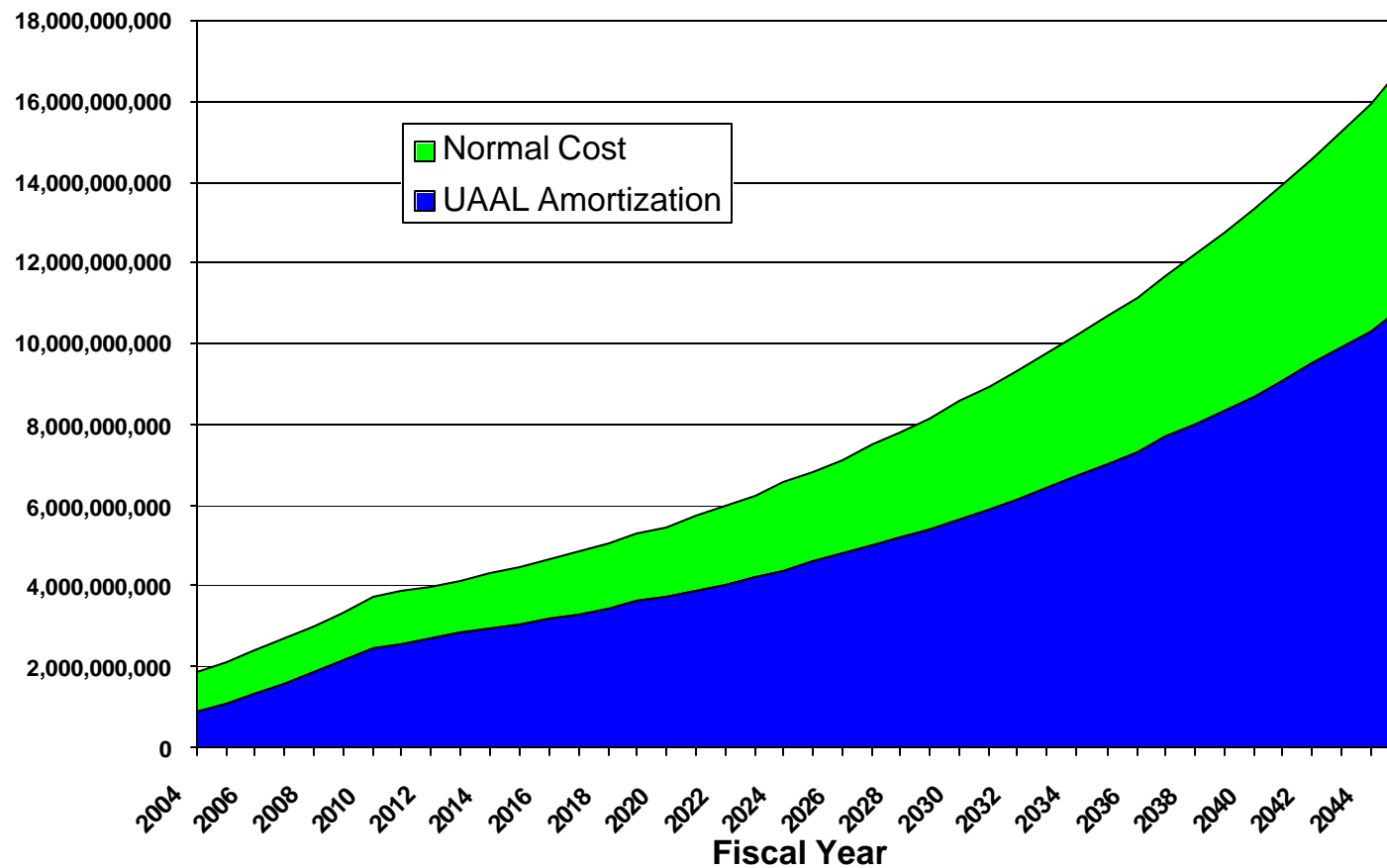
# HOW WE GOT THERE

**In the recent economic downturn, spending reductions have lagged revenue declines**

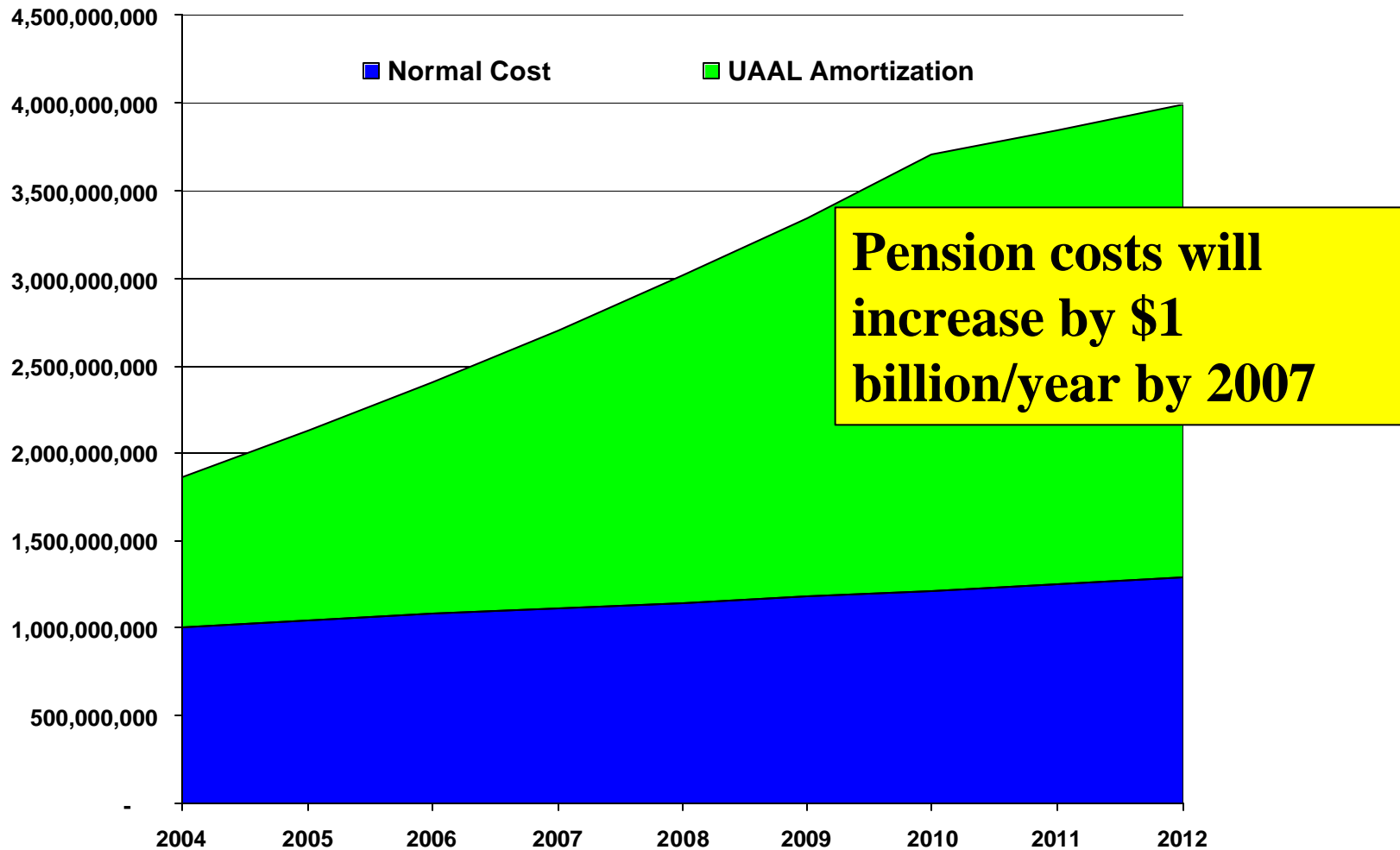


# Pension Contributions are Accelerating to Compensate for Past Underfunding

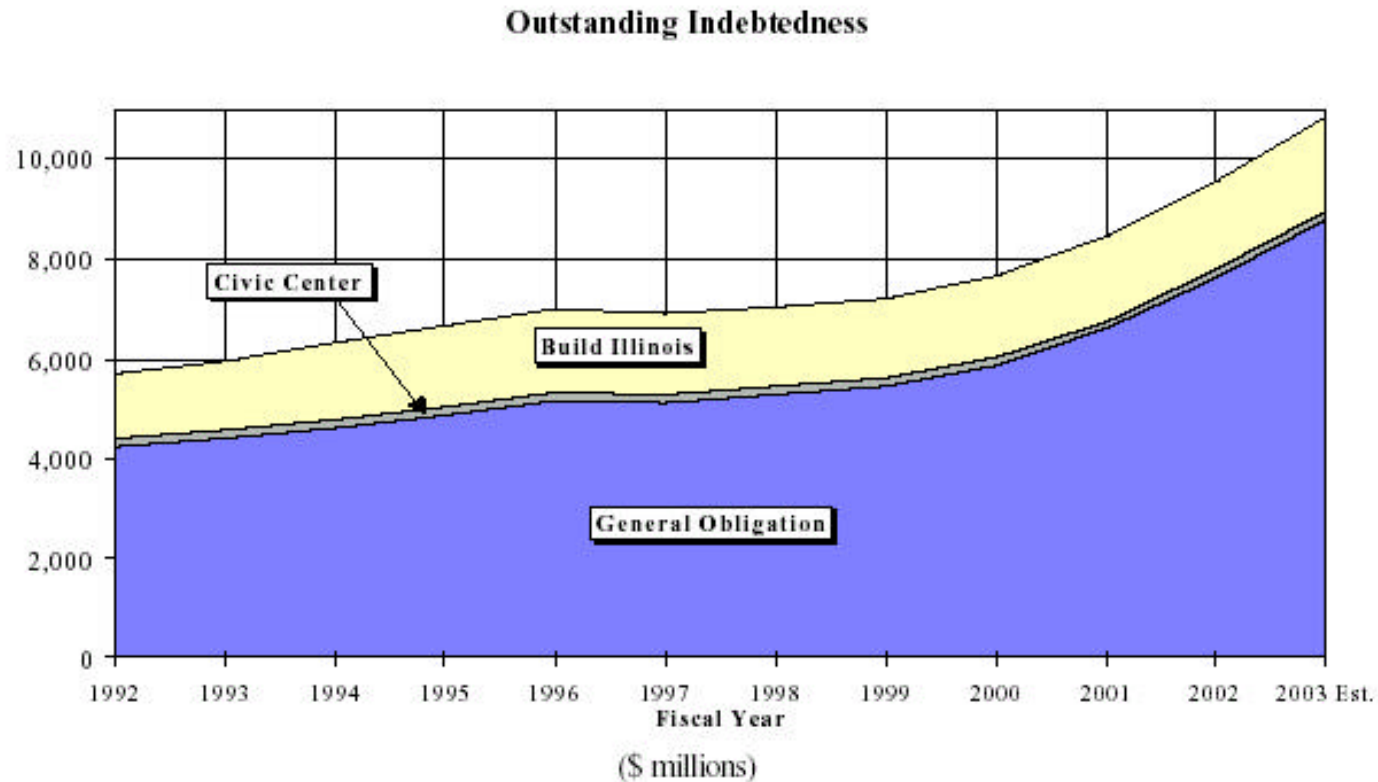
Annual State Contribution



# Legislation Requires Escalating Payments from 1995 - 2011



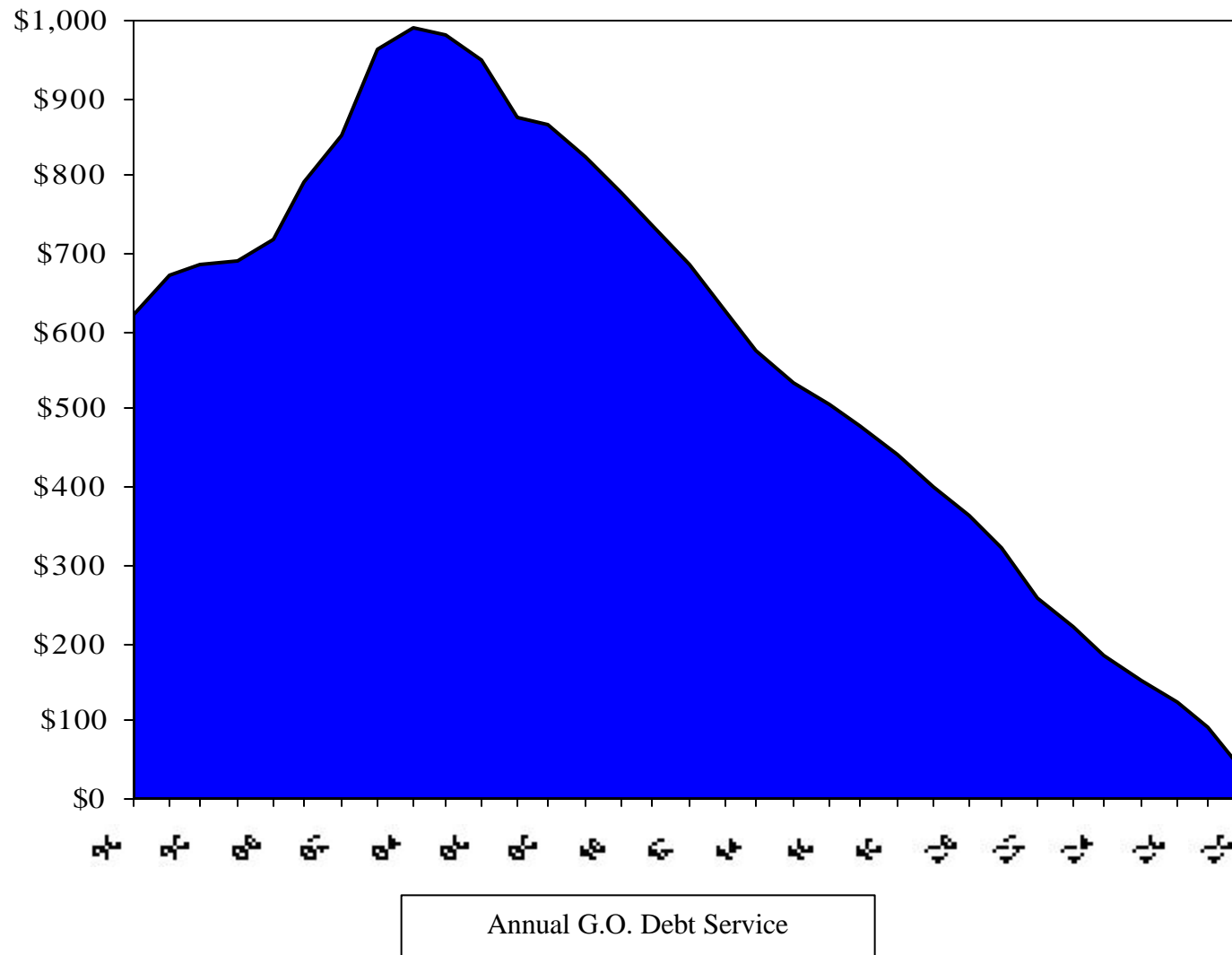
# Long-Term Debt Status



- Growth of State-Supported Bonds Outstanding
  - 1996-1999 1.82% Growth
  - 2000-2003 41.3% Growth
  - FY 1999 Debt Service was \$690 million; FY 2003 Debt Service is \$974 Million; 41% Growth



# Current G.O debt payments are front-loaded

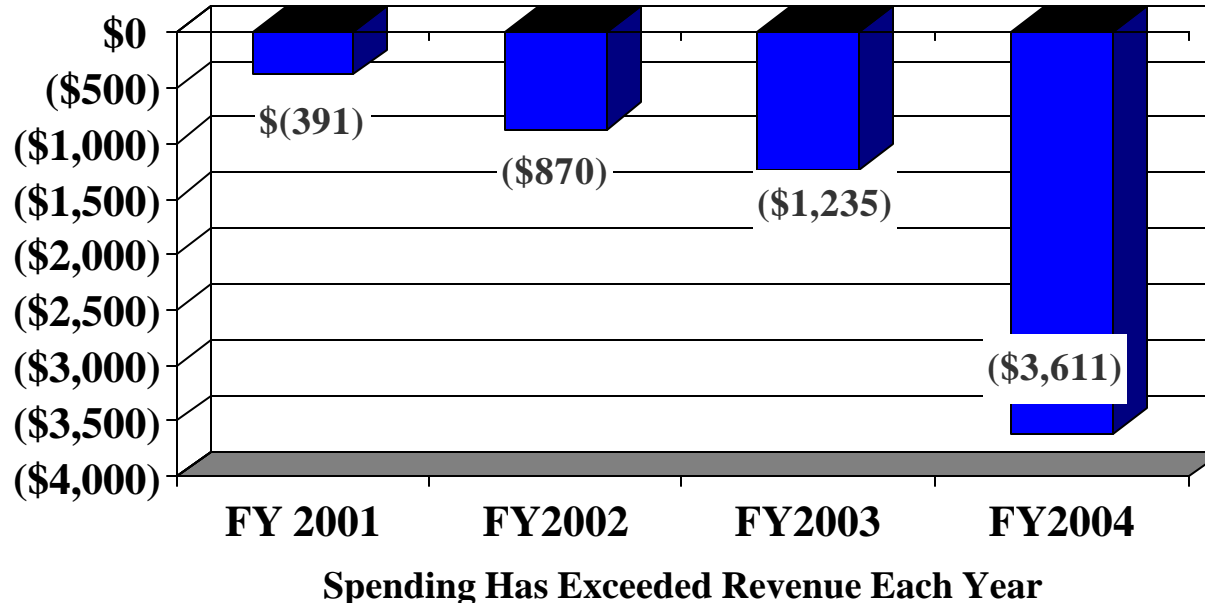


# HOW WE GOT THERE

## Illinois faces a two-year shortfall of \$4.8 billion in GRF

Budget Gap in FY 2003 estimated at \$1.2 Billion

Budget Gap in FY 2004 estimated at \$3.6 Billion



# Fiscal Year 2003

## Current Budget Summary

Fiscal Year 2003 (in millions)	TRANSITION COMMITTEE PROJECTIONS
<b>Revenues</b>	
Total State Sources	19,399
Federal Aid	4,075
<b><i>Total Revenues</i></b>	<b><i>23,474</i></b>
<b>Expenditures</b>	
Budgeted Expenditures	24,366
Additional Spending Pressures (Net)	343
<b><i>Total Expenditures</i></b>	<b><i>24,709</i></b>
<b>Total Income (Loss)</b>	<b>\$ (1,235)</b>

# Components of Shortfall: FY '03 Spending Pressures

- There are \$443 million in spending pressures that are not accounted for in the current budget.
  - **Medicaid: \$150 million**—FY 03 appropriation: \$4.9 billion (FY 03 Total GRF approp.) Medical assistance programs
  - **Corrections: \$52 million** (\$1.36 billion FY 03 total approp.)
  - **Employee Group Health Insurance: \$65 million** (FY 03 Total GRF approp. \$783.4 million)
  - **Education: \$50 million** (GSA and categoricals - \$4.3 billion; total FY 03 GRF, ISBE approp. \$6.1 billion)
  - **Lapse Spending: \$76 million**
  - Agencies were asked to by Ryan's BOB to reserve 2% or \$200 million. Transition Committee believes this will save 1% or \$100 million. This should bring deficit number to \$343 million.

# Fiscal Year 2003

## Budget Projection Comparisons

**Fiscal Year 2003**  
(in millions)

<b>Source</b> Date	<b>Ryan's BOB</b> 11/22/2002	<b>IEFC</b> 11/22/2002	<b>Metro 2020</b> 11/5/2002	<b>Transition</b> 11/26/2002
<b>Revenues</b>				
Budgeted Revenues	24,385	24,385	24,385	24,385
Lower Projections	(410)	(592)	(387)	(911)
<b>Total Revenues</b>	<b>23,975</b>	<b>23,793</b>	<b>23,998</b>	<b>23,474</b>
<b>Expenditures</b>				
Budgeted Expenditures	24,366	24,366	24,366	24,366
Additional Expenditures	(435)	418	379	343
<b>Total Expenditures</b>	<b>23,931</b>	<b>24,784</b>	<b>24,745</b>	<b>24,709</b>
<b>Total Income (Loss)</b>	<b>\$ 44</b>	<b>\$ (991)</b>	<b>\$ (747)</b>	<b>\$ (1,235)</b>

# Fiscal Year 2003 Projections

FY 2003	Ryan's BOB 11/22/2002	Ec&Fisc 11/22/2002	Metro 2020 11/5/2002	Reconciliation Team Preliminary* 11/26/2002
Budgeted Revenues, Minus:	\$ 24,385.0	\$ 24,385.0	\$ 24,385.0	\$ 24,385.0
Lower Initial Projections		\$ (207.0)		\$ (885.0)
Adjustment to Initial Projections	\$ (410.0)	\$ (385.0)		
Income Taxes growth at 2.4%			\$ (198.0)	
Sales Tax growth at 3.1%			\$ (189.0)	
<b>Revised Revenue FY 2003</b>	<b>\$ 23,975.0</b>	<b>\$ 23,793.0</b>	<b>\$ 23,998.0</b>	<b>\$ 23,474.0</b>
Budgeted Expenditures, Plus:	\$ 24,366.0	\$ 24,366.0	\$ 24,366.0	\$ 24,366.0
Additional Lapse Spending	\$ 76.0	\$ 76.0	\$ 76.0	\$ 76.0
Medicaid (net state cost)	\$ 150.0	\$ 150.0	\$ 140.0	\$ 150.0
Department of Corrections	\$ 30.0	\$ 52.0	\$ 50.0	\$ 52.0
Group Health Insurance	\$ -	\$ 65.0	\$ 63.0	\$ 65.0
Education	\$ 22.0	\$ 50.0	\$ -	\$ 50.0
Other	\$ 50.0	\$ 25.0	\$ 50.0	\$ 50.0
State Agency Reserve 2%	\$ (200.0)			\$ (100.0)
Additional Lapse Period Spending	\$ (563.0)			0
<b>Revised Expenditures FY 2003</b>	<b>\$ 23,931.0</b>	<b>\$ 24,784.0</b>	<b>\$ 24,745.0</b>	<b>\$ 24,709.0</b>
<b>FY 2003 Revenue minus Expenditures</b>	<b>\$ 44.0</b>	<b>\$ (991.0)</b>	<b>\$ (747.0)</b>	<b>\$ (1,235.0)</b>

# Fiscal Year 2004

## Current Budget Summary

<b>Fiscal Year 2004</b>	<b>TRANSITION COMMITTEE PROJECTIONS</b>
<b>Revenues</b>	
Total State Sources	18,814
Federal Aid	3,985
<b><i>Total Revenues</i></b>	<b><i>22,799</i></b>
<b>Expenditures</b>	
FY 2003 Level of Expenditures	24,709
Additional Spending Pressures	1,701
<b><i>Total Expenditures</i></b>	<b><i>26,410</i></b>
<b>Total Income (Loss)</b>	<b>\$ (3,611)</b>

**Combined Budget Gap of \$4.8 Billion**

# Components of Shortfall: FY '04 Spending Pressures

- Medicaid: \$410 million
- Education: \$310 million
- Employee Group Health Insurance: \$220 million
- Employee Pensions: \$111 million
- Corrections: \$130 million
- Human Services: \$120 million (\$3.6 billion total GRF FY 03)
- Secretary of State and State Police one-time transfers: \$190 million
- Additional Debt Service: \$40 million
- Other: \$170 million

**TOTAL SPENDING PRESSURES: \$1.501 billion**



# Fiscal Year 2004

## Budget Projection Comparisons

**Fiscal Year 2004**  
(in millions)

<b>Source</b>	<b>Ryan's BOB</b>	<b>IEFC</b>	<b>Metro 2020</b>	<b>Transition</b>
Date	11/22/2002	11/22/2002	11/5/2002	11/26/2002
<b><i>Revised Revenues</i></b>	<b>23,875</b>	<b>23,443</b>	<b>23,723</b>	<b>22,799</b>
<b>Expenditures</b>				
FY 2003 Level of Expenditures	23,931	24,784	24,745	24,709
Additional Expenditures	1,729	1,508	1,535	1,701
<b><i>Total Expenditures</i></b>	<b>25,660</b>	<b>26,292</b>	<b>26,280</b>	<b>26,410</b>
<b><i>Total Income (Loss)</i></b>	<b>\$ (1,785)</b>	<b>\$ (2,849)</b>	<b>\$ (2,557)</b>	<b>\$ (3,611)</b>

# Fiscal Year 2004 Projections

	Ryan's BOB	Ec&Fisc	Metro 2020	Reconciliation Team Preliminary*
<b>FY 2004</b>				
<b>Revenue</b>				
<b>Revised Revenue FY 2004</b>	<b>\$ 23,875.0</b>	<b>\$ 23,443.0</b>	<b>\$ 23,723.0</b>	<b>\$ 22,799.4</b>
<b>Expenditures</b>				
Revised FY 03 Expenditures (Assumes Base Adjusted to Reflect FY 03 Pressures above)	\$ 23,931.0	\$ 24,784.0	\$ 24,745.0	\$ 24,709.0
Additional Lapse Spending	\$ 75.0			
Debt Service	\$ 40.0		\$ 40.0	\$ 40.0
Medicaid Growth	\$ 410.0	\$ 410.0	\$ 270.0	\$ 410.0
Education	\$ 146.0	\$ 165.0	\$ 165.0	\$ 310.0
State Employee Group Health Insurance	\$ 220.0	\$ 205.0	\$ 180.0	\$ 220.0
Corrections (no re-openings)	\$ 123.0	\$ 129.0	\$ 130.0	\$ 130.0
DHS	\$ 100.0	\$ 140.0	\$ 120.0	\$ 120.0
Secretary of State (Road Fund cap)	\$ 100.0		\$ 100.0	\$ 100.0
State Police (includes Road Fund cap)	\$ 90.0	\$ 90.0	\$ 90.0	\$ 90.0
State Employee Pensions	\$ 255.0	\$ 254.0	\$ 270.0	\$ 111.0
Other (union, interest for UI Trust Fund, DCFS, Other)	\$ 170.0	\$ 115.0	\$ 170.0	\$ 170.0
<b>TOTAL FY 2004 Expenditures</b>	<b>\$ 25,660.0</b>	<b>\$ 26,292.0</b>	<b>\$ 26,280.0</b>	<b>\$ 26,410.0</b>
<b>FY 2004 Revenue minus Expenditures</b>	<b>\$ (1,785.0)</b>	<b>\$ (2,849.0)</b>	<b>\$ (2,557.0)</b>	<b>\$ (3,610.6)</b>